

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-01

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 XMB-02 L-02 /057 W  
----- 091563

R 171839Z MAR 75

FM USMISSION EC BRUSSELS  
TO SECSTATE WASHDC 8488  
INFO ALL EC CAPITALS 449  
AMEMBASSY OTTAWA  
AMEMBASSY TOKYO

LIMITED OFFICIAL USE SECTION 1 OF 2 EC BRUSSELS 02350

PASS TREASURY AND EXIMBANK

E.O. 11652: N/A  
TAGS: EFIN, EEC  
SUBJECT: EXPORT CREDIT GENTLEMEN'S AGREEMENT -- RESULTS OF TECHNICAL  
LEVEL MEETING OF MARCH 13-14

1. SUMMARY: THE TECHNICAL LEVEL MEETING TO NEGOTIATE A  
GENTLEMEN'S AGREEMENT WAS ABLE TO CONSOLIDATE THE  
PROPOSED TEXTS OF EACH PARTICIPANT INTO A SINGLE DRAFT  
AGREEMENT WITH BRACKETS REFLECTING OUTSTANDING DIFFERENCES  
ON MAJOR ISSUES. AN AGRREED TEXT WAS ADOPTED ON MOST  
ADMINISTRATIVE AND MINOR PROVISIONS. THE US DELEGATION  
INDICATED THAT IT WANTED THE AGREEMENT TO COVER EXPORT  
CREDIT SCHEMES AS, FOR EXAMPLE, INSURANCE AGAINST PRICE  
INFLATION. THE EC, JAPAN AND US ARE CONSIDERING HOLDING  
A PRINCIPALS MEETING ON APRIL 7, MAY 5-6 OR MAY 13-14.  
AGREEMENT WAS REACHED ON MANY ISSUES, INCLUDING MUCH OF  
THE TECHNICAL "UNDERBRUSH", BUT MAJOR DIFFERENCES STILL  
REMAIN. END SUMMARY.

2. THE EC NINE, JAPAN AND THE US MET AT THE TECHNICAL-  
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LEVEL ON MARCH 13-14 IN BRUSSELS TO CONTINUE NEGOTIA-

TIONS ON THE EXPORT CREDIT GENTLEMENTS AGREEMENT. NEGOTIATIONS WERE UNDERTAKEN IN A COOPERATIVE AND PRACTICAL WAY. THE PURPOSE WAS TO ELIMINATE AS MANY OUTSTANDING DIFFERENCES AS POSSIBLE TO THAT PRINCIPALS WOULD HAVE ONLY MAJOR ISSUES TO NEGOTIATE AT THE NEXT MEETING. AGREEMENT WAS REACHED ON IMPLEMENTATION OF THE AGREEMENT, ACCESSION, WITHDRAWAL, THE PREAMBLE, DEFINITIONS, LOCAL COST LIMITS, LEASING, AND MATCHING. VIEWS ON OTHER ISSUES WERE NARROWED BUT DIFFERENCES REMAIN ON KEY POINTS, INCLUDING THE FOLLOWING:

A) MINIMUM INTEREST RATES. RECOGNIZING THAT THIS ISSUE CAN ONLY BE RESOLVED AT A HIGHER LEVEL, THERE WAS LIMITED DISCUSSION OF RATES. THE TEXT BRACKETS THE US PROPOSED 8 PERCENT RATE AND THE JAPANESE PROPOSED 7.5 PERCENT. THE JAPANESE DELEGATION STRONGLY OPPOSED AN 8 PERCENT RATE.

B) AVERAGE REAL COST. THE US AND EC ARE IN AGREEMENT BUT THE JAPANESE OPPOSED THIS SECTION STRONGLY, INDICATION THAT A CONCESSION ON THIS PROPOSAL COULD SOFTEN THEIR OBJECTION TO OTHER PROVISIONS.

C) COUNTRY LISTS. THE US AND EC AGREED ON THE LISTS DIVIDING ALL COUNTRIES INTO THREE GROUPS ON THE BASIS OF OPER CAPITAL GNP. THE JAPANESE STUCK TO THEIR EARLIER POSITION OF DIVIDING COUNTRIES ACCORDING TO THE DAC LIST, BUT INDICATED A WILLINGNESS TO COMPROMISE IF THEY WERE SATISFIED ON OTHER POINTS.

D) MAXIMUM CREDIT LENGTH. THE US EXPRESSED ITS STRONG OPPOSITION TO EC AND JAPANESE INSISTENCE ON A 5- YEAR LIMITE ON CREDITS TO THE WEALTHY COUNTRIES.

E) MINIMUM PERCENTAGE ON DOWN PAYMENTS. THE US ACCEPTED THE EC POSITION OF 15 PERCENT MINIMUM BUT WAS UNABLE TO PERSUADE THE EC TO DROP ITS PROPOSAL OF 20 PERCENT FOR TRANSACTIONS WITH WEALTHY COUNTRIES. THE JAPANESE WERE UNWILLING TO ACCEPT ANY LIMITATION, BUT AGAIN INDICATED THEIR WILLINGNESS TO BARGAIN.

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AMEMBASSY TOKYO

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F) EXCEPTION FOR PROJECTS (E.G. "LARGE PROJECT EXCEPTION") REQUIRING LONGER TERMS: LITTLE PROGRESS WAS MADE IN NARROWING DIFFERENCES IN THIS AREA.  
G) AID: THE MEETING WAS NOT ABLE TO REACH AGREEMENT. THE US WANTS ACCEPTANCE OF THE DAC DEFINITION OF OFFICIAL DEVELOPMENT ASSISTANCE TO DISTINGUISH WHAT IS AND IS NOT AID BUT FRANCE, ITALY AND JAPAN WANT EACH PARTICIPANT TO BE FREE TO DETERMINE WHAT IS AN AID TRANSACTION UNDER THE AGREEMENT. THE ITALIANS AGREED TO CONSULT IN ROME ON WHAT ASSURANCES COULD BE MADE REGARDING A CHANGE IN ITALIAN LAWS. THE FRENCH INDICATED A WILLINGNESS TO ACCEPT SOME LIMITATIONS BUT THEY SEEMED TO BALK AT A 25 PERCENT SUBSIDY ELEMENT.

3. SPECIAL INSURANCE SCHEMES: SEVERAL DELEGATIONS EXPRESSED THEIR CONCERN THAT RECENT DECISIONS TO ADOPT EXPORT CREDIT SCHEMES ADDED TO THE COMPETITIVE RACE AMONG EXPORT CREDIT INSTITUTIONS. THE US SUBMITTED TWO INFORMAL PROPOSALS AD REFERENDUM TO LIMITED OFFICIAL USE

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COVER, UNDER THE AGREEMENT, INSURANCE SCHEMES AGAINST SUCH RISKS AS INFLATIONARY PRICE INCREASES AND EXCHANGE RATE FLUCTUATIONS. ONE US PROPOSAL ASKS FOR THE REMOVAL OF THE SUBSIDY ELEMENT FROM SUCH PROGRAMS. THE US INDICATED THAT IT WOULD SUBSEQUENTLY INFORM THE OTHER PARTIES TO THE NEGOTIATIONS IF IT WISHED TO SUBMIT A FORMAL PROPOSAL TO BE INCLUDED IN THE DRAFT AGREEMENT.

A) THE EC ASKED TO BE GIVEN ADEQUATE NOTICE OF SUCH A PROPOSAL BEFORE THE NEXT MEETING. THE EC ADDED THAT IT WOULD NOT WANT TO INCLUDE SUCH A

PROPOSAL FOR THE FOLLOWING REASONS: 1) THE BRITISH SCHEME HAD BEEN ADOPTED AT CABINET LEVEL, MAKING IT POLITICALLY DIFFICULT TO MODIFY OR WITHDRAW IT; 2) THESE SCHEMES WERE OUTSIDE OF THE SCOPE OF THE AGREEMENT; 3) INCLUSION OF SUCH A PROPOSAL WOULD IMPEDE PROMPT ADOPTION OF THE AGREEMENT; AND 4) COMMENTS ON THESE SCHEMES SHOULD BE APPROPRIATELY RAISED IN OTHER FORA.

B) THE JAPANESE SAID THEY WOULD LIKE TO HAVE TIME TO CONSIDER THE US PROPOSALS AND ASKED FOR FURTHER CLARIFICATION OF US POSITION. THE US DELEGATION ALSO DISCUSSED THE UK SCHEME PRIVATELY WITH THE BRITISH DELEGATION. IT WAS UNDERSTOOD THAT THIS ISSUE REMAINED OPEN FOR FURTHER CONSIDERATION AT THE PRINCIPALS MEETING, AND THE US DELEGATION EMPHASIZED THAT DISCUSSION OF THE US PROPOSALS DID NOT AFFECT ITS RIGHT TO RAISE THIS QUESTION IN OTHER APPROPRIATE FORA.

4. MEETING DATES: DELEGATIONS AGREED TO CONSIDER THE FOLLOWING POSSIBLE DATES FOR A PRINCIPALS MEETING: APRIL 7, MAY 6-7 AND MAY 13-14.

5. COMMENT: ALL OF THE PARTICIPANTS WANTED TO CLEAR OUT OF THE WAY THE MINOR PROVISIONS OF THE PROPOSED AGREEMENT SO THAT THE PRINCIPALS COULD FOCUS ON A MINIMUM OF ISSUES. THE MEETING CONSEQUENTLY WAS CONDUCTED IN BUSINESSLIKE AND PRAGMATIC ATMOSPHERE. THERE WAS A MINIMUM NUMBER OF RANCOR. DELEGATES DID FAIL TO REACH AGREEMENT ON SOME LIMITED OFFICIAL USE

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MINOR POINTS SUCH AS THE MINIMUM PERCENTAGE ON DOWN PAYMENTS TO WEALTHY COUNTRIES. BUT, FOR THE MOST PART, COMPROMISES WERE REACHED WHICH INDICATED A GENUINE DESIRE TO REACH A FINAL AGREEMENT. HARD NEGOTIATING REMAINS, HOWEVER. END COMMENT.

GREENWALD

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